

also be abandoned because of governmental action, such as building a highway or similar project.

In any of the above situations, GTE would provide ample advance notification to all customers served by that central office, especially access customers. None of the situations cited above occur overnight; most take years of planning, installation or building before they occur.

(c) LECs should specify the conditions under which they will or will not charge the interconnector for the relocation of the interconnector's facilities.

Section 17.2.2(C) states that where the move is initiated by GTE, GTE will be responsible for direct costs associated with removal, transport and reinstallation of the customer's equipment. Section 17.2.3(H) states that GTE will reimburse the customer for reasonable direct costs and expenses in connection with reclamation. Although not specifically stated but accepted as standard business practice, any relocations initiated by the customer would be charged the applicable NRCs. GTE believes these provisions are wholly reasonable.

**Issue K: Are the LECs' insurance provisions reasonable?**

(a) LECs should justify the levels and types of insurance coverage they specify for interconnectors in their tariffs. LECs that impose insurance requirements for automobiles, even though their tariffs specifically prohibit parking by interconnector personnel, should also justify these requirements. LECs having both interstate and intrastate EIS tariffs should also explain any differences between their tariffs concerning levels and types of coverage. Likewise, they should justify differences between the insurance and types of coverage LECs require of interconnectors and the levels and types of coverage that they hold themselves.

The insurance requirements proposed by GTE are commercially reasonable and necessary to protect GTE and GTE's customers from the risks associated with EIS.

GTE's tariffs specify the following coverage:

- 1) Comprehensive General Liability on an occurrence basis - \$2,000,000 combined single limit for bodily injury and property damage with a policy aggregate of \$4,000,000;
- 2) Umbrella/Excess Liability coverage of \$10,000,000 excess of coverage specified above;
- 3) All Risk Property coverage on full replacement costs basis;
- 4) Statutory Workers Compensation;
- 5) Contractual Liability;
- 6) Automobile Liability;
- 7) Employers Liability for \$2,000,000.

All such requirements, including, without limitations, those relating to coverage, limits and quality of insurance are those typically found in commercial leases and other agreements in the competitive marketplace involving third party access to real property. These requirements exist because such access exposes the real property and the persons and personalty within or about the real property to additional risks of harm.

Prudent business practices require the purchase of insurance to protect against catastrophic losses and the pre-allocation of liabilities (which should be covered by insurance) to enable parties to predict various costs, including the costs of insurance

and litigation. In the competitive marketplace, the insurance costs and liabilities associated with access to real property are typically borne by the party gaining access to the real property, not the property owner. A similar insurance cost and liability allocation should apply in the EIS context. In other words, the EIS customer must either bear these costs and liabilities directly or pay the higher EIS rates that would be necessitated by shifting these costs and liabilities to GTE. If, on the other hand, these costs and liabilities were shifted to GTE without corresponding increase in the EIS rates, GTE's other customers would unjustly bear the costs of EIS through increased rates. By placing GTE at a competitive disadvantage, such results would be contrary to the Commission's stated competitive objectives for EIS.

GTE's tariffs do not prohibit parking by interconnector personnel on GTE property.

As will be explained in further detail in Issue M, GTE is pursuing a mirroring policy at the state level. This will eliminate any disparities between state and federal tariff requirements. It is GTE's position that there should be no difference between state and interstate EIS tariffs.

(b) LECs that do not permit interconnectors to self-insure under any circumstances should explain their reason for that policy.

GTE's tariffs do not provide for self-insurance. GTE would be agreeable to accepting self-insurance for only Worker's Compensation in states having formal procedures, requirements and controls. Some states, however, prohibit self-insurance on Worker's Compensation.

Other forms of self-insurance are not regulated in any manner by the states. Self-insurance, without state regulation, would require another party to undertake the administrative tasks of establishing procedures to ensure the financial resources are sufficient to cover claims and ensure that reserves were maintained over time. GTE believes that in order to effectively implement self-insurance, the administrative functions normally provided by insurance companies would have to be duplicated. Financial information would have to be disclosed to "prove" financial resources and viability of the self-insured. Determination of risk, based upon historic patterns would have to be established in order to determine the proper level of reserves required for coverage. Some procedure would have to be developed to ensure that those reserves are maintained, and reviewed periodically to determine if the levels are appropriate. GTE does not believe that the responsibility for these function should fall to the LECs. Nor would interconnectors be willing to provide financial data to GTE, since GTE is now viewed as a competitor.

Establishing procedures and processes for this purpose is quite unnecessary, since insurance companies perform these tasks with great efficiency. Insurance companies establish, review, and maintain reserves from their own assets, not the interconnector's, as would be necessary under self-insurance. Insurance companies are regulated by the states in which they do business, ensuring some measure of security in their financial viability.

GTE also believes that self-insurance would benefit the larger interconnectors more than the smaller ones who may not have significant financial resources. It is

the company has \$2 billion in reserves. The rating GTE has tariffed is 12, which indicates the insurance company has \$1-1.25 billion in reserves. Parties have complained that this is too high, and while it might appear to be if only one claim were being paid. However, insurance companies cover many customers with many different types of coverage, and the multiple claims, such as resulted from Hurricanes Iniki and Andrew, the current flood situation in the Midwest, or similar disasters can easily place smaller insurance companies without the financial resources on the verge of financial disaster. GTE believes that the ratings requested are reasonable for the interconnector, GTE and GTE's rate payers.

GTE's automobile coverage is self-assumed. This means that GTE includes amounts in the annual budgets for each Area for claims and repairs, based upon historic expenditures. When required, the monies are paid directly from the local budget.

GTE is self-insured for Worker's Compensation in states which allow it, are members of the state pool, or have acquired Worker's Compensation from an insurance company in states that require Worker's Compensation be purchased from an insurance company. For all other forms of insurance, GTE purchases insurance from several different companies, all with a rating of AA-12 or higher. GTE also requires the rating of AA-12 for insurance of contractors having access to central offices, manholes, cable vaults, etc.

GTE fails to see why exceptions should be made for interconnectors. The similarities between GTE's contractors and the interconnector are obvious. Both have

access to central offices and other secured locations; but in the case of interconnectors, GTE has no direct control over the personnel the customer may hire, and very limited control over their behavior or actions. The insurance requirements for the interconnector should, at a minimum, be the same as for ,contractors.

(d) LECs requiring proof that an interconnector's insurance is effective at a certain time should explain why their policy is reasonable.

GTE's tariff Sections 17.7.6(D) requires that all insurance must be in effect on or before the customer occupies the partitioned space and shall remain in force as long as the customer's facilities remain within any space governed by this tariff. Section 17.7.6(E) states that the customer shall submit certificates of insurance and copies of policies reflecting coverage specified in (B) above, at the time the ASR is placed.

GTE's requirements of proof of insurance are both reasonable and equitable to all parties. The interconnector will have access and may be performing work in the partitioned space prior to the actual turn over to the customer. At any point in time when the customer's employees or contractors are in the central office, potential for damage or injury exists as does the requirement for insurance. Requesting proof of insurance at the time the ASR is placed is reasonable since this proves the insurability of the customer, as well as commitment on the part of the customer to proceed with the installation. Anything less would impose additional risk on GTE and ultimately other ratepayers.

**Issue L: Are the LEC's liability provisions reasonable?**

(a) LECs should explain the policies articulated in their tariffs concerning an interconnector's right of action against a LEC for negligence, gross negligence, willful

misconduct, or intentional harm. LECs should explain why these provisions are reasonable. They should also explain why it is reasonable for them to include language limiting their own liability while they hold interconnectors liable for more than they would assume under their tariff.

GTE's tariffs do not articulate the interconnector's rights of action against GTE for negligence, gross negligence, willful misconduct or intentional harm. Rather, GTE's General Regulations excludes willful misconduct from indemnity.

Section 2.1.3(A)

The Telephone Company's liability, if any, for willful misconduct is not limited by this tariff.

Section 2.1.3(F) states:

Except in the case of willful misconduct, under no circumstances whatever shall the Telephone Company be liable for indirect, incidental, special or consequential damages; and this disclaimer shall be effective notwithstanding any other provisions hereof.

Section 2.1.3(I) states:

The Telephone Company shall reimburse the customer for damages to premises or equipment of the customer resulting from the provision of FIA by the Telephone Company on such premises, or by the installation or removal thereof, caused by the negligence or willful act of the Telephone Company.

GTE's EIS tariffs do not include any additional provisions addressing GTE's liability for negligence, gross negligence, or intentional harm. However, as shown

above, the customer will be reimbursed for damages, or has the right to pursue whatever action they deem necessary and proper where willful misconduct has occurred.

From the perspective of other forms of liability, GTE requires the customer to indemnify, defend and hold GTE harmless for claims from third parties for loss or damage, liable, slander, invasion of privacy, acts of omission, infringement or copyright, or patent infringement. GTE does not believe that modifying or eliminating the customer's liability delineated in these tariff provisions is appropriate or reasonable.

Since GTE is now in the role of lessor or landlord, GTE must require the same protection as other commercial landlords from the added risks inherent in the lessor-lessee relationship. GTE must be afforded protection from potential situations where GTE and/or GTE's insurers might become primary instead of the interconnector and or their insurance, especially, if the actions in this proceeding were to result in reduction of the insurance requirements addressed above.

As a landlord GTE must protect itself against actions or inactions of individuals who are not in GTE's employ or under GTE's control or supervision. GTE must be absolved of liability to ensure protection from frivolous claims and/or lawsuits by the interconnector, their employees, agents or contractors, or third party's actions against the interconnector.

GTE believes these provisions are reasonable and, as part of the existing access tariffs, have applied to access services obtained by the same parties that now believe these provisions should be modified.



- (b) Addresses Bell Atlantic only.

**Issue M: Are the LECs' provisions regarding whether to bill from their state or interstate EIS tariffs reasonable?**

- (a) LECs should discuss whether the use of the ten percent rule to determine the jurisdictional nature of the service is reasonable.

The Commission in its Expanded Interconnection Order found that "...it [LECs] should provide collocation in a manner that satisfies both federal and state requirements. These measures should limit the ability of LECs to attempt to use different approaches to expanded interconnection in the federal and state jurisdictions to unfairly disadvantage interconnectors." <sup>18</sup>

GTE purposely established its EIS tariff as a separate section, Section 17, containing certain terms and conditions, rates and charges established to uniquely serve an interconnecting customer. GTE expects to utilize its tariffs for termination of special and, with minor expansion, switched access and be applicable for inter- or intrastate use.

Where not already required, GTE is actively pursuing mirroring of its federal tariff in the state jurisdictions<sup>19</sup>. GTE believes that this will benefit the customer obtaining EIS under a GTE tariff in either jurisdiction because the customer should only pay a

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<sup>18</sup> Para. 254

<sup>19</sup> GTE has tariff pending for intrastate access in Indiana, Michigan, Ohio, none of which are currently effective. Activities in other state commissions will likely require additional tariff filings within the next year.

single set of rates independent of whether the jurisdiction is state or interstate. This will not only make it easier for the customer, but eliminate the opportunity for arbitrage.

If a state commission requires a different tariff structure and/or rates, GTE believes that the 10% rule would be appropriate. By utilizing the 10% rule either the interstate or the intrastate tariff would be applicable but not a mix of any rate elements from either tariff.

**Issue N: Are the LECs' provisions regarding letters of agency reasonable?**

(a) Is it reasonable for LECs to refuse to honor letters of agency allowing an interconnector's customers to negotiate services with a LEC on the interconnector's behalf ?

Letters of agency (LOA) in this context and in the experience of GTE with special access are generally needed only when the ordering party and billed party are different entities.

If this is the scenario of allowing customer's to negotiate services with a LEC, then GTE has and will honor and accept LOA's of this nature. GTE would not take responsibility for notifying the interconnector of third party requests for service on the interconnector's network. The ordering process and billing system are already capable of handling LOA authorized billing of access service to a party other than the originator of the Order.

(b) Should LECs state in their tariffs that they will accept an order for end-to-end service which includes a request to install the cross-connect to the interconnector's space, when the order is placed by an interconnector's customer using a letter of agency from the interconnector?

In GTE's opinion, it is not necessary to have a LOA to process orders for customer end-to-end services to an interconnector's space. Therefore, it is not necessary to address this situation in the tariff. As long as the party requesting the access service will pay the bill for the service, an LOA is not needed. GTE's tariff does specify that a separate ASR is required for the cross-connect rate element but it does not restrict who may place that order. The reason for separate orders is primarily to accommodate any interconnector who wished to have responsibility for coordination of the cross-connect with his network assignments and due dates. In the scenario where end-users or interexchange carriers wish to rearrange services to terminate on interconnector's facility or virtual arrangement, the flexibility of being able to bill the existing customer for services not directly related to interconnection is advantageous for all parties. It is reasonable for any service offered in the tariff to be ordered by the customer who wishes to pay the bill.

(c) Should LECs state in their tariffs that they will bill charges for the special access cross-connect rate elements and subtending end link services to third parties specified by the customers when ordering services?

This issue is addressed in (a) and (b).

**Issue O: Are the LECs' provisions regarding inspection of interconnector space and facilities reasonable?**

(a) The EIS Designation Order at para. 77(a) directs LECs to identify their provisions governing inspection of interconnector space and facilities, including whether the interconnector must pay for such inspections, and state why they believe their requirements are reasonable.

GTE's tariff Sections 17.2.3(E) allows GTE access, with prior notice, to perform periodic inspection to ensure compliance with Telephone Company installation, safety and security. Section 17.2.3(F) provides for access, without prior notice, in an emergency, such as fire, or other unsafe condition, or for the purpose of averting threat of harm imposed by the customer or the customer's equipment. The tariffs do not provide for charging the customer for this inspection.

The purpose of these inspections is to ensure that the equipment has been installed to GTE and/or equipment manufacturer's specifications. These specifications include safety, power, bonding and grounding requirements to be met in order to protect GTE's equipment, services and personnel from faulty installations or equipment. These specifications are the same as used by GTE for its contractors.

Additional inspections may be necessary during the post-installation or in-service period. These inspections may be triggered by a number of factors. For example, an interconnector reporting excessive outages or trouble conditions, situations detected in the GTE switching environment that points to the interconnector's equipment, an FCC-required or company-initiated quality audit check that would take into consideration all equipment residing within the central office, frequent access by the interconnector bringing in equipment into their space may be a factor in the configuration of the initial installation with a potential of affecting service or visual indicators within the interconnectors space that requires GTE immediate access to prevent a disaster.

These inspections would be at no charge during either the initial installation or at GTE-initiated inspections. GTE would charge Additional Labor charge for an inspection requested by the interconnector to assist in resolving a problem. GTE would charge the interconnector if an inspection was performed due to an emergency situation that threatens the safety of personnel and jeopardizes service.

**Issue P: Should LECs be permitted to include provisions regarding the payment of taxes and similar assessments by interconnectors?**

(a) GTE's tariffs contain no such provisions. Applicable taxes have been included in the calculation of the rates.

Accordingly, GTE has properly justified Expanded Interconnection Service tariff filings as supported by the Direct Case.

Respectfully submitted,

GTE Service Corporation and its  
GTE affiliated Telephone  
Operating Companies and GTE  
System Telephone Companies

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August 20, 1993

THEIR ATTORNEYS

**RECEIVED**

**AUG 20 1993**

**FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY**

**GTE DIRECT CASE**

**CC DOCKET NO. 93-162**

**LIST OF ATTACHMENTS**

- Attachment 1 - GTOC Tariff Review Plan
  - Line-By-Line Description
  - 1A - GTOC Physical EIS Rates
  - 1B - GTOC Virtual EIS Rates
- Attachment 2 - GSTC Tariff Review Plan
  - Line-By-Line Description
  - 2A - GSTC Physical EIS Rates
  - 2B - Virtual EIS Rates
- Attachment 3 - GTOC Mapped Rate Elements
- Attachment 4 - GSTC Mapped Rate Elements
- Attachment 5 - GTOC's Annual Charge Factors
- Attachment 6 - GSTC's Annual Charge Factors
- Attachment 7 - GTE Depreciable Lives Information
- Attachment 8 - GTOC Labor Rate Loading Comparison
- Attachment 9 - GSTC Labor Rate Loading Comparison
- Attachment 10 - GTOC Overhead Factor Analysis
- Attachment 11 - GSTC Overhead Factor Analysis
- Attachment 12 - GTOC Sample Price Out
- Attachment 13 - GSTC Sample Price Out
- Attachment 14 - Comparison of Replacement Cost, Embedded Cost and Market Value
- Attachment 15 - Calculation of Adjusted Building Investment





GTE DIRECT CASE

ATTACHMENT 1

GENERAL TELEPHONE OPERATING COMPANIES

TARIFF REVIEW PLAN

**ATTACHMENT 1A**

**GENERAL TELEPHONE OPERATING COMPANIES**

**TARIFF REVIEW PLAN**

**PHYSICAL EIS RATES**

## Floor Space Function

### Recurring Rate

2. Buildings - 32.2121: This figure represents the replacement cost of the central office. It was calculated by adjusting the surviving vintage office investment for inflation, then dividing the resultant balance by the total square footage of the building. This yielded the investment per square foot which, after adjusting for salvage value, was the amount entered on this line.
21. Depreciation Expense: This figure was calculated on a straight line basis from the book life of the Buildings - 32.2121 accounts in GTOCs 1992 annual charge factor studies. To this amount was added a weighted percentage proportion of the annual nonrecoverable cost shown on the Investment and Cost Data Summary included for each rate element in the original filing. The annual nonrecoverable cost reflects a portion of the investment and labor costs which must be recovered over the revenue life. The nonrecoverable costs are derived by computing an annuity for the present value of capital investment plus income tax effects, based on the revenue life of the service and an 11.25% discount rate. Depreciation, return, and tax expenses are then subtracted from the annuity amount to arrive at the total nonrecoverable cost.
22. Cost of Money: The calculation of this figure was detailed on the Return and Income Tax Calculations sheets provided with the original filing. To the initial return figure shown on that form was added a weighted percentage proportion of the annual nonrecoverable cost shown on the Investment and Cost Data Summary included for each rate element in the original filing. The annual nonrecoverable cost is explained in 21. Depreciation Expense.
23. Cost of Money (Percentage): GTOCs authorized rate of return.
24. Federal Tax: The calculation of this figure was detailed on the Return and Income Tax Calculations sheets provided with the original filing. To the initial federal income tax figure shown on that form was added a weighted percentage proportion of the annual nonrecoverable cost shown on the Investment and Cost Data Summary included for each rate element in the original filing. The annual nonrecoverable cost is explained in 21. Depreciation Expense.
25. State and Local Income Tax: The calculation of this figure was detailed on the Return and Income Tax Calculations sheets provided with the original filing. To the initial state income tax figure shown on that form was added a weighted percentage proportion of the annual nonrecoverable cost shown on the Investment and Cost Data Summary included for each rate element in the

original filing. The annual nonrecoverable cost is explained in 21. Depreciation Expense.

27. Property Tax: This figure is calculated from the individual states property tax factor in GTOCs 1992 financial factor studies.
28. Gross Receipts Tax: If applicable, this figure is calculated from the individual states gross receipts tax factor in GTOCs 1992 financial factor studies.
33. Maintenance Expense: This figure is calculated from the individual states plant specific expense factor in GTOCs 1992 annual charge factor studies.
35. Plant Non-specific Expense: This figure is calculated from the individual states plant non-specific expense factor in GTOCs 1992 annual charge factor studies.
36. Customer Operations Expense: This figure is calculated from the individual states customer operations expense factor in GTOCs 1992 annual charge factor studies.
37. Corporate Operations Expense: This figure is calculated from the individual states corporate operations expense factor in GTOCs 1992 annual charge factor studies.
38. General Support Facilities Expense: This figure is calculated from the individual states miscellaneous loadings expense factor in GTOCs 1992 annual charge factor studies.
51. Annual Cost per Unit: The summation of lines 21 through 50.
52. Monthly Cost per Unit: Line 51 divided by 12.
53. Monthly Rate per Unit: GTOCs proposed rate.
54. Unit of Measurement: GTOCs Partition Space rate element is applied on a per square foot basis.
55. Ratio: Rate/Direct Cost: GTOCs proposed rate divided by the monthly cost per unit less administrative expenses.
56. Ratio: Rate/Unit Cost: Line 53 / Line 52

## Interconnector-Specific Construction Function

### Recurring Rate

2. **Buildings - 32.2121**: This figure represents the prospective material cost of installing the cage, charger circuit, outlets & lighting, fire system, grounding, electric sub-panel, and electric feed. The base material cost for these modifications is \$3,495. This is a national average based on information contained in "The Means Building Construction Cost Data Book". The base cost was then adjusted geographically for differences in material costs. The tasks outlined for this rate element would be performed by non-GTOC personnel under a contract arrangement.

The modifications required and their percentage of the base material cost is shown below:

|                    |     |
|--------------------|-----|
| Cage Materials     | 34% |
| Charger Circuit    | 11% |
| Outlets & Lighting | 26% |
| Fire System        | 4%  |
| Grounding          | 2%  |
| Elec. Sub-panel    | 14% |
| Elec. Feed         | 10% |

21. **Depreciation Expense**: This figure was calculated on a straight line basis from the book life of the Buildings - 32.2121 account in GTOCs 1992 annual charge factor studies. To this amount was added a weighted percentage proportion of the annual nonrecoverable cost shown on the Investment and Cost Data Summary included for each rate element in the original filing. The annual nonrecoverable cost reflects a portion of the investment and labor costs which must be recovered over the revenue life. The nonrecoverable costs are derived by computing an annuity for the present value of capital investment plus income tax effects, based on the revenue life of the service and an 11.25% discount rate. Depreciation, return, and tax expenses are then subtracted from the annuity amount to arrive at the total nonrecoverable cost.
22. **Cost of Money**: The calculation of this figure was detailed on the Return and Income Tax Calculations sheets provided with the original filing. To the initial return figure shown on that form was added a weighted percentage proportion of the annual nonrecoverable cost shown on the Investment and Cost Data Summary included for each rate element in the original filing. The annual nonrecoverable cost is explained in 21. Depreciation Expense.
23. **Cost of Money (Percentage)**: GTOCs authorized rate of return.

24. Federal Tax: The calculation of this figure was detailed on the Return and Income Tax Calculations sheets provided with the original filing. To the initial federal income tax figure shown on that form was added a weighted percentage proportion of the annual nonrecoverable cost shown on the Investment and Cost Data Summary included for each rate element in the original filing. The annual nonrecoverable cost is explained in 21. Depreciation Expense.
25. State and Local Income Tax: The calculation of this figure was detailed on the Return and Income Tax Calculations sheets provided with the original filing. To the initial state income tax figure shown on that form was added a weighted percentage proportion of the annual nonrecoverable cost shown on the Investment and Cost Data Summary included for each rate element in the original filing. The annual nonrecoverable cost is explained in 21. Depreciation Expense.
27. Property Tax: This figure is calculated from the individual states property tax factor in GTOCs 1992 financial factor studies.
28. Gross Receipts Tax: If applicable, this figure is calculated from the individual states gross receipts tax factor in GTOCs 1992 financial factor studies.
33. Maintenance Expense: This figure is calculated from the individual states plant specific expense factor in GTOCs 1992 annual charge factor studies.
51. Annual Cost per Unit: The summation of lines 21 through 50.
52. Monthly Cost per Unit: Line 51 / 12.
53. Monthly Rate per Unit: GTOCs proposed rate.
54. Unit of Measurement: Per interconnection.
55. Ratio: Rate/Direct Cost: GTOCs proposed rate divided by the monthly cost per unit less administrative expenses.
56. Ratio: Rate/Unit Cost: Line 53 / Line 52

## DC Power Generation Function

### Recurring Rate

35. Power Expense: This figure represents the monthly cost per square foot of the power used by the interconnectors equipment. It was calculated assuming the interconnector required 100 amps and 48 volts (i.e. 4.8 KWH of power) for his equipment. This power requirement was then multiplied by average cost of commercial electricity in the office's geographic area. This was then converted to a monthly power cost by multiplying by 24 hours and 30 days. This monthly power cost was then adjusted by a efficiency and heat loss factor of 1.4. This reflects the reality that for every kilowatt-hour used by a user, more than one kilowatt-hour leaves the power company. Finally the monthly power cost corrected for power loss was divided by the interconnector's 100 square feet cage area to provide a monthly power cost per square foot. This calculation is shown in detail in GTOCs original filing documentation.
52. Monthly Cost per Unit: Line 35.
53. Monthly Rate per Unit: GTOCs proposed rate.
54. Unit of Measurement: Per square foot.

## DC Power Installation Function

### Recurring Rate

2. Digital Switch - 32.2212: This figure represents the prospective labor cost of installing a power board, batteries, spares, fuses, power distribution bay, power cable, and bracing for DC cable. The base labor cost for these modifications is \$14,624. This is a national average based on information contained in "The Means Building Construction Cost Data Book". The base cost was then adjusted geographically for differences in labor costs. The tasks outlined for this rate element would be performed by non-GTOC personnel under a contract arrangement.

The modifications required and their percentage of the base labor cost is shown below:

|                        |     |
|------------------------|-----|
| Power Board            | 38% |
| Batteries              | 28% |
| Spares                 | 4%  |
| Fuses at Power Plant   | 1%  |
| Power Distribution Bay | 17% |
| Power Cable            | 6%  |
| Bracing for DC Cable   | 6%  |

21. Depreciation Expense: This figure was calculated on a straight line basis from the book life of the Digital Switch - 32.2212 account in GTOCs 1992 annual charge factor studies. To this amount was added a weighted percentage proportion of the annual nonrecoverable cost shown on the Investment and Cost Data Summary included for each rate element in the original filing. The annual nonrecoverable cost reflects a portion of the investment and labor costs which must be recovered over the revenue life. The nonrecoverable costs are derived by computing an annuity for the present value of capital investment plus income tax effects, based on the revenue life of the service and an 11.25% discount rate. Depreciation, return, and tax expenses are then subtracted from the annuity amount to arrive at the total nonrecoverable cost.
22. Cost of Money: The calculation of this figure was detailed on the Return and Income Tax Calculations sheets provided with the original filing. To the initial return figure shown on that form was added a weighted percentage proportion of the annual nonrecoverable cost shown on the Investment and Cost Data Summary included for each rate element in the original filing. The annual nonrecoverable cost is explained in 21. Depreciation Expense.
23. Cost of Money (Percentage): GTOCs authorized rate of return.



24. Federal Tax: The calculation of this figure was detailed on the Return and Income Tax Calculations sheets provided with the original filing. To the initial federal income tax figure shown on that form was added a weighted percentage proportion of the annual nonrecoverable cost shown on the Investment and Cost Data Summary included for each rate element in the original filing. The annual nonrecoverable cost is explained in 21. Depreciation Expense.
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27. Property Tax: This figure is calculated from the individual states property tax factor in GTOCs 1992 financial factor studies.
28. Gross Receipts Tax: If applicable, this figure is calculated from the individual states gross receipts tax factor in GTOCs 1992 financial factor studies.
33. Maintenance Expense: This figure is calculated from the individual states plant specific expense factor in GTOCs 1992 annual charge factor studies.
51. Annual Cost per Unit: The summation of lines 21 through 50.
52. Monthly Cost per Unit: Line 51 / 12.
53. Monthly Rate per Unit: GTOCs proposed rate.
54. Unit of Measurement: Per interconnection.
55. Ratio: Rate/Direct Cost: GTOCs proposed rate divided by the monthly cost per unit less administrative expenses.
56. Ratio: Rate/Unit Cost: Line 53 / Line 52